

Message Text

UNCLASSIFIED

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16

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
----- 028936

P R 280625Z APR 76
FM AMEMBASSY NEW DELHI
TO USDOC WASHDC PRIORITY
INFO SECSTATE WASHDC 5571
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS NEW DELHI 6169

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: INVESTMENT OPPORTUNITY: PROPOSED INDO-U.S. TECHNICAL
KNOW-HOW COLLABORATION AGREEMENT

REF: NEW DELHI 13582, OCTOBER 8 1975.

1. IN DECEMBER 1975, ANAND K. SETHI, DIRECTOR SMS ASSOCIATES PRIVATE LIMITED, D-1/42 VASANT VIHAR, NEW DELHI 110057, ENTERED INTO A TECHNICAL KNOW-HOW AGREEMENT WITH MICRODISC, INC., SUBSIDIARY OF INTERNATIONAL MEMORY SYSTEMS, 14609 SCOTTSDALE ROAD, SCOTTSDALE, ARIZONA 85260 TO MANUFACTURE MAGNETIC DISC DRIVES (THIS AGREEMENT RESULTED THROUGH USDOC'S EFFORTS BASED ON REFTEL). THE AGREEMENT STIPULATES THAT SMS WILL PAY MICRODISC A TOTAL KNOW-HOW FEE OF US DOLS100,000.

2. WHILE NEGOTIATING THIS AGREEMENT, SETHI GAVE MICRODISC THE IMPRESSION THAT GOVERNMENTAL APPROVAL WOULD BE FORTHCOMING BY FEBRUARY AND THAT HE WOULD BE IN A POSSITION TO REMIT THE FIRST INSTALLMENT OF DOLS33,000 IN MARCH 1976.

3. SETHI NOW INFORMS US THAT THE FOREIGN INVESTMENT BOARD APPROVED THE PROPOSAL ON APRIL 27. ACCORDING TO SETHI, THE PROPOSAL COULD NOT BE TAKEN UP EARLIER FOR CONSIDERATION BY THE GOI, BECAUSE MICRODISC CONCLUDED A SIMILAR AGREEMENT FOR THE SAME PRODUCT AND TECHNOLOGY WITH ANOTHER INDIAN COMPANY.

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4. NOW THE DEPARTMENT OF ELECTRONICS WILL FORMALLY FORWARD SMS APPLICATION TO THE RESERVE BANK OF INDIA (RBI) WITH THE RECOMMENDATION THAT THE INDIAN PROMOTER IS ALLOWED TO MAKE PAYMENT OF DOLS33,000 TO MICRODISC. ALL PAYMENTS IN FOREIGN EXCHANGE ARE CONTROLLED BY THE RBI. THIS PROCESS SHOULD TAKE ABOUT A MINIMUM OF FIVE WEEKS.

5. ACTION REQUESTED: USDOC IS REQUESTED TO CONTACT PRENTISS L. SMITH, PRESIDENT MICRODISC (TEL: 602-948-2120) AND INFORM HIM OF THE CURRENT STATUS OF THE PROPOSAL. SMS HAS WORKED VERY HARD TO EXPEDITE ITS APPLICATION. IN OUR JUDGEMENT SMS-MICRODISC PROPOSAL HAS BEEN HANDLED WITH CONSIDERABLE SPEED. FYI: MICRODISC HAS NONETHELESS, ACCORDING TO SETHI, THREATENED TO ABROGATE THE AGREEMENT, IF SETHI FAILS TO MAKE PAYMENT BY THE END OF APRIL. WE WOULD URGE THAT MICRODISC NOT PRESS THIS POINT AS THE APPLICATION HAS NOW BEEN APPROVED BY THE FIB.

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